

**REPORT OF THE AUDIT OF THE
BRECKINRIDGE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Breckinridge County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash Balances increased by \$117,701 from the beginning of the year, resulting in a cash surplus of \$859,099 as of June 30, 2002.

Debt Obligations:

Capital lease principal agreements totaled \$5,640,612 as of June 30, 2002. Future principal and interest payments of \$10,021,221 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were not fully insured or collateralized by bank securities or bonds in the amount of \$31,878.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Thomas P. Moorman, Former Breckinridge County Judge/Executive
Honorable George E. Monarch, III, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Breckinridge County, Kentucky as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Breckinridge County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Breckinridge County Housing Authority. These financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Breckinridge Housing Authority is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Breckinridge County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity balances of Breckinridge County, Kentucky as of June 30, 2002, its receipts and disbursements, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
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In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2003 on our consideration of Breckinridge County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Breckinridge County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 24, 2003

BRECKINRIDGE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Thomas P. Moorman	Former County Judge/Executive
George E. Monarch, III	County Judge/Executive
James Henning	Magistrate
David Newby	Magistrate
Tommy Compton	Magistrate
Billy Johnson	Magistrate
Billy Robinson	Magistrate
Joe O'Donoghue	Magistrate

Other Elected Officials:

Bruce T. Butler	County Attorney
Louis D. Carmen	Jailer
Charles A. Wilson	County Clerk
Connie Brumfield	Circuit Court Clerk
Bobby D. Kennedy	Sheriff
Kenneth Barger	Property Valuation Administrator
Robert Rhodes	Coroner

Appointed Personnel:

Randi K. Flood	County Treasurer
Lisa Hoskins	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

BRECKINRIDGE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental</u> <u>Fund Types</u>	<u>Proprietary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Enterprise</u>	
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 827,306	\$ 44,052	\$ 871,358
Total Assets	<u>\$ 827,306</u>	<u>\$ 44,052</u>	<u>\$ 871,358</u>
<u>Other Resources</u>			
Amounts to Be Provided			
In Future Years for:			
Lease Principal (Note 5)	\$ 5,640,612	\$	\$ 5,640,612
Total Other Resources	<u>\$ 5,640,612</u>	<u>\$ 0</u>	<u>\$ 5,640,612</u>
Total Assets and Other Resources	<u><u>\$ 6,467,918</u></u>	<u><u>\$ 44,052</u></u>	<u><u>\$ 6,511,970</u></u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	<u>Fund Types</u>	<u>Fund Type</u>	<u>(Memorandum Only)</u>
	<u>General</u>	<u>Enterprise</u>	
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Lease Obligations - Principal (Note 5)	\$ 5,640,612	\$	\$ 5,640,612
Payroll Revolving Liabilities	<u>12,259</u>		<u>12,259</u>
Total Liabilities	<u>\$ 5,652,871</u>	<u>\$ 0</u>	<u>\$ 5,652,871</u>
<u>Equity</u>			
Retained Earnings:			
Reserved	\$	\$ 44,052	\$ 44,052
Fund Balances:			
Unreserved	<u>815,047</u>		<u>815,047</u>
Total Equity	<u>\$ 815,047</u>	<u>\$ 44,052</u>	<u>\$ 859,099</u>
Total Liabilities and Equity	<u><u>\$ 6,467,918</u></u>	<u><u>\$ 44,052</u></u>	<u><u>\$ 6,511,970</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BRECKINRIDGE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,043,280	\$ 1,893,494	\$ 1,599,239	\$ 1,507,234
Jail Canteen Receipts	135,570			
Other Financing Sources:				
Transfers In	455,509	10,000	119,000	326,509
Kentucky Advance Revenue Program	200,000	200,000		
Total Cash Receipts	<u>\$ 5,834,359</u>	<u>\$ 2,103,494</u>	<u>\$ 1,718,239</u>	<u>\$ 1,833,743</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,711,990	\$ 1,476,510	\$ 1,641,933	\$ 1,555,879
Jail Canteen Expenditures	120,281			
Other Financing Uses:				
Transfers Out	455,509	449,000		
Kentucky Association of Counties				
Leasing Trust Principal Payments	132,000	12,000		120,000
Lease Principal Payments	96,878	11,878	85,000	
Kentucky Advance Revenue Program Repaid	200,000	200,000		
Total Cash Disbursements	<u>\$ 5,716,658</u>	<u>\$ 2,149,388</u>	<u>\$ 1,726,933</u>	<u>\$ 1,675,879</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 117,701	\$ (45,894)	\$ (8,694)	\$ 157,864
Cash Balance - July 1, 2001	741,398	659,680	17,389	5,190
Cash Balance - June 30, 2002	<u>\$ 859,099</u>	<u>\$ 613,786</u>	<u>\$ 8,695</u>	<u>\$ 163,054</u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

<u>General Fund Types</u>	<u>Capital Projects Fund Type</u>	<u>Enterprise Fund Type</u>
Local Government Economic Assistance Fund	Jail Construction Fund	Jail Canteen Fund
\$ 43,313	\$	\$ 135,570
<u>\$ 43,313</u>	<u>\$ 0</u>	<u>\$ 135,570</u>
\$ 37,668	\$	\$ 120,281
	6,509	
<u>\$ 37,668</u>	<u>\$ 6,509</u>	<u>\$ 120,281</u>
\$ 5,645	\$ (6,509)	\$ 15,289
23,867	6,509	28,763
<u>\$ 29,512</u>	<u>\$ 0</u>	<u>\$ 44,052</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH
FLows - PROPRIETARY FUND TYPE

BRECKINRIDGE COUNTY
STATEMENT OF CASH
FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 110,462
Payments To Suppliers	(93,124)
Other Receipts	25,108
Other Payments	<u>(27,157)</u>
Net Increase In Cash Provided By Operating Activities	\$ 15,289
Cash, July 1, 2001	<u>28,763</u>
Cash, June 30, 2002	<u><u>\$ 44,052</u></u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Breckinridge County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Breckinridge County Housing Authority as part of the reporting entity

The Housing Authority has the right to buy, sell, lease, and mortgage property in its own name. However, Fiscal Court members serve as the Housing Authority's Board of Directors; therefore, Fiscal Court is able to impose its will on the Housing Authority. The Fiscal Court approves and modifies the Housing Authority's budget as part of the county's budget. In addition, Fiscal Court has the ability to appoint, hire, reassign, or dismiss those persons responsible for day-to-day operations. The Breckinridge County Housing Authority's audit was performed by other auditors, and the report thereon is discretely presented in Appendix B of this report.

Additional - Breckinridge County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Breckinridge County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Breckinridge County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Types

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Breckinridge County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund (LGEA).

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Section Eight Housing Fund of the Fiscal Court is reported as a Special Revenue Fund Type. There was no activity in this fund during fiscal year ended June 30, 2002.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Breckinridge County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The commissary operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail commissary operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Breckinridge County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Jail Commissary Fund. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts on the financial statements; there were no investments during the fiscal year.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

BRECKINRIDGE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 3. Deferred Compensation

On April 8, 2002, the Breckinridge County Fiscal Court voted to allow all full time employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by full time employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

Note 4. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of June 30, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$31,878 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2002.

	<u>Bank Balance</u>
FDIC insured	\$ 208,904
Collateralized with securities held by the county's agent in the county's name	650,318
Uncollateralized and uninsured	<u>31,878</u>
Total	<u>\$ 891,100</u>

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease Agreements

- A. Breckinridge County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) on January 6, 1994. The lease principal of \$250,000 was for courthouse renovation. The lease terms specify yearly principal payments and monthly interest payments at 4.621 percent. These payments are paid from the General Fund. As of June 30, 2002, the outstanding principal balance was \$169,000. Future debt requirements are as follows:

<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
June 30, 2003	\$ 7,495	\$ 12,000
June 30, 2004	6,927	13,000
June 30, 2005	6,333	13,000
June 30, 2006	5,720	14,000
June 30, 2007	5,061	15,000
June 30, 2008 - June 30, 2012	14,967	83,000
June 30, 2013		<u>19,000</u>
Totals	<u>\$ 46,503</u>	<u>\$ 169,000</u>

- B. The county has entered into the following lease agreement to be paid from the General Fund.

<u>Description</u>	<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
Radios	June 30, 2003	<u>\$ 70</u>	<u>\$ 3,612</u>

- C. The county has entered into the following lease agreement to be paid from the Road and Bridge Fund.

<u>Description</u>	<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
Road Equipment	June 30, 2003	<u>\$ 2,514</u>	<u>\$ 88,000</u>

- D. Breckinridge County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) on February 26, 1998. The lease principal of \$5,300,000 was for the construction of the Breckinridge County Detention Facility. The lease terms specified yearly principal payments and monthly interest payments at an effective interest rate of 5.64 percent. On January 31, 2000, the lease was refinanced in the amount of \$5,500,000. The lease terms specify yearly principal payments and monthly interest payments at an interest rate of 5.3 percent. These payments are paid from the Jail Fund. As of June 30, 2002, the outstanding principal balance was \$5,380,000.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Lease Agreements (Continued)

D. (Continued)

Future debt requirements are as follows:

<u>Fiscal Year Ending</u>	<u>Interest</u>	<u>Principal</u>
June 30, 2003	\$ 319,343	\$ 127,000
June 30, 2004	311,304	133,000
June 30, 2005	302,846	140,000
June 30, 2006	293,963	147,000
June 30, 2007	284,599	155,000
June 30, 2008 - June 30, 2012	1,264,338	906,000
June 30, 2013 - June 30, 2017	945,015	1,167,000
June 30, 2018 - June 30, 2022	533,489	1,503,000
June 30, 2023 - June 30, 2025	<u>76,625</u>	<u>1,102,000</u>
Totals	<u>\$ 4,331,522</u>	<u>\$ 5,380,000</u>

Note 6. Operating Lease

On September 10, 2001, the fiscal court entered into a lease with Officeware for a Lanier copy machine. The rental agreement states that monthly payments of \$172 shall be made for a term of 48 months. During the fiscal year ended June 30, 2002, Breckinridge County paid \$1,716 on the lease. These payments are paid from the General Fund. As of June 30, 2002, future payments of \$6,522 are required by the lease.

Note 7. Insurance

For the fiscal year ended June 30, 2002, Breckinridge County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Related Party Transactions

During fiscal year ended June 30, 2002, the fiscal court made expenditures to an auto parts store owned by the County Treasurer's father. The total of the expenditures to the auto parts store was \$8,199. These transactions do not appear to be in violation of the county's code of ethics.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 1,896,606	\$ 1,893,494	\$ (3,112)
Road and Bridge Fund	1,668,538	1,599,239	(69,299)
Jail Fund	1,589,350	1,507,234	(82,116)
Local Government Economic Assistance Fund	28,000	43,313	15,313
<u>Special Revenue Fund Type</u>			
Section 8 Housing Fund	<u>700,000</u>		<u>(700,000)</u>
Totals	<u>\$ 5,882,494</u>	<u>\$ 5,043,280</u>	<u>\$ (839,214)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 5,882,494
Add: Budgeted Prior Year Surplus			483,650
Add: Budgeted Borrowed Money			200,000
Less: Budgeted Other Financing Uses			<u>(428,878)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,137,266</u>

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SCHEDULE OF OPERATING REVENUE

BRECKINRIDGE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

	GOVERNMENTAL FUND TYPE
	<u>General Fund Types</u>
<u>Revenue Categories</u>	
Taxes	\$ 1,172,378
In Lieu Tax Payments	17,968
Excess Fees	53,838
Licenses and Permits	6,130
Intergovernmental Revenues	3,384,977
Charges for Services	94,329
Miscellaneous Revenues	283,615
Interest Earned	<u>30,045</u>
Total Operating Revenue	<u><u>\$ 5,043,280</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 417,807	\$ 386,033	\$ 31,774
Protection to Persons and Property	1,680,591	1,358,527	322,064
General Health and Sanitation	19,210	19,210	
Social Services	75,608	71,877	3,731
Recreation and Culture	25,200	19,940	5,260
Roads	1,386,988	1,374,941	12,047
Bus Services	36,344	36,344	
Debt Service	312,370	303,164	9,206
Capital Projects	783,328	469,505	313,823
Administration	699,820	672,449	27,371
Total Operating Budget - General Fund Types	\$ 5,437,266	\$ 4,711,990	\$ 725,276
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	200,000	200,000	
Kentucky Association of Counties Leasing Trust - Principal Payments	132,000	132,000	
Lease Principal Payments	96,878	96,878	
TOTAL BUDGET - GENERAL FUND TYPES	\$ 5,866,144	\$ 5,140,868	\$ 725,276

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Section 8 Housing	\$ 700,000	\$ 0	\$ 700,000

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Thomas P. Moorman, Former Breckinridge County Judge/Executive
Honorable George E. Monarch, III, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Breckinridge County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Breckinridge County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Breckinridge County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 24, 2003

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BRECKINRIDGE COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

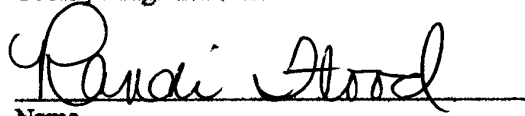
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BRECKINRIDGE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

The Breckinridge County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

BRECKINRIDGE COUNTY HOUSING AUTHORITY

For The Fiscal Year Ended
June 30, 2002

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KENNETH M. ROBERTS
Certified Public Accountant
9655 Lotticks Corner Road S.E.
Elizabeth, Indiana
812-969-2599

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Breckinridge County Housing Authority
Hardinsburg, Kentucky 40143

I have audited the accompanying general purpose financial statements of the Breckinridge County Housing Authority (the Authority), as of and for the year ended June 30, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Authority. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the Breckinridge County Housing Authority as of June 30, 2002, and the results of its revenues, expenses and changes in fund balance and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 31, 2003 on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

INDEPENDENT AUDITOR'S REPORT
(Continued)

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Breckinridge County Housing Authority, taken as a whole. The "Agreed Upon Procedures Report" and the "Financial Data Schedule" submitted electronically and other supplemental information presented with this report is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Kenneth M. Roberts CPA

Elizabeth, Indiana
March 31, 2003

Breckinridge County Housing Authority
Balance Sheet
June 30, 2002

	Housing Choice Vouchers <u>14.871</u>
<u>Assets</u>	
Cash	
Unrestricted	\$4,561
Furniture and Equipment	2,500
Accumulated Depreciation	<u>-1,250</u>
Total Non-Current Assets	<u>1,250</u>
Total Assets	<u><u>\$5,811</u></u>
<u>Liabilities</u>	
Accounts Payable - HUD	<u>\$26,043</u>
Total Liabilities	<u>26,043</u>
<u>Fund Balance</u>	
Undesignated Fund Balance/Retained Earnings	<u>-20,232</u>
Total Liabilities & Fund Balance	<u><u>\$5,811</u></u>

The accompanying notes are an integral part of the financial statements

Breckinridge County Housing Authority
Statement of Revenues, Expenses
and Changes in Fund Balance
For the Year Ended June 30, 2002

	Housing Choice Vouchers 14,871
	<hr/>
Revenue	
HUD PHA Grants	\$658,634
Investment Income - Unrestricted	1,864
Investment Income - Restricted	400
	<hr/>
Total Revenue	<hr/> 660,898
Expenses	
Administrative Salaries	53,000
Auditing Fees	2,000
Employee Benefit Contributions	15,081
Other Operating-Administrative	18,561
	<hr/>
Total Expenses	<hr/> 88,642
Excess Operating Revenue Over Operating Expenses	<hr/> 572,256
Housing Assistance Payments	563,946
Depreciation	834
	<hr/>
Total Expenses	<hr/> 653,422
Excess of Revenue/ (Expenses) Over Expenses/ (Revenue)	<hr/> 7,476
Fund Balance, Beginning of Year	-20,992
Prior Year Adjustment	-1,557
Adjust Eq. to Capitalization Policy	-5,159
	<hr/>
Restated Fund Balance, Beginning of Year	<hr/> -27,708
Fund Balance, End of Year	<hr/> -\$20,232

The accompanying notes are an integral part of the financial statements.

Breckinridge County Housing Authority
Statement of Cash Flows
For the Year Ended June 30, 2002

	Housing Choice Vouchers <u>14,871</u>
<u>Cash Flows from Operating Activities</u>	
Operating Income (Loss)	\$7,476
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities	
Depreciation	834
Accounts Payable-HUD	<u>-132,092</u>
Net Cash Provided by (Used by) Operating Activities	<u>-123,782</u>
<u>Cash Flows from Investing Activities</u>	
Investments	<u>8,309</u>
Net Increase (Decrease) in Cash	-115,473
Cash Balance at Beginning of Year	<u>120,034</u>
Cash Balance at End of Year	<u><u>\$4,561</u></u>

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
Hardinsburg, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Breckinridge County Housing Authority has entered into a contract with the U. S. Department of Housing and Urban Development for the administration of a Housing Assistance Payments Program. The Department makes annual contributions (subsidies) to the Authority to provide for rental assistance to low-income families and administrative costs of the program. The program provides rental assistance to approximately 215 low income families.

The basic criterion for including an agency, institution, authority, or other organization in a governmental unit's reporting entity is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. Oversight responsibility is defined to include, but is not limited to: financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the Authority is a component unit of the Breckinridge County Fiscal Court, (oversight unit).

However, the Breckinridge County Fiscal Court (oversight unit) and the administration of the Authority (component unit) have determined that a separate audit of the component unit's financial statements is beneficial to both the component and oversight units. Accordingly, these financial statements cover only the Breckinridge County Housing Authority, and do not pertain to any other activities of the Breckinridge County Fiscal Court.

Basis of Accounting - The accounts of the Authority are organized in a proprietary fund type (enterprise funds). The measurement focus in enterprise fund accounting is upon the flow of economic resources and uses the full accrual basis of accounting to determine net income, financial position, and changes in cash flows, similar to the accounting found in private business.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
Hardinsburg, Kentucky

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2002

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The Authority follows the announcements of the Financial Accounting Standards Board issued subsequent to November 30, 1989 unless they conflict with or contradict the pronouncements of the Governmental Accounting Standards Board.

Accounting Estimates - The preparation of the financial statements in forformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Deposits - The Authority considers all highly liquid investments with a maturity of one year or less from date of purchase to be cash equivalents. At June 30, 2002, the carrying amount of the Authority's deposits was \$ 4,561 and the bank balance was \$ 6,833. Of the bank balance 100% was covered by federal deposit insurance.

Furniture and Equipment - Furniture and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment is estimated to have useful lives of 3 years. When furniture and equipment are retired or otherwise disposed of, the costs are removed from the asset account and a gain or loss is recognized.

ADDITIONAL INFORMATION

BRECKINRIDGE COUNTY HOUSING AUTHORITY
Hardinsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2002

<u>FEDERAL GRANTOR</u>	<u>FEDERAL CODA NUMBER</u>	<u>EXPENDITURES</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
Housing Choice Vouchers Program	14.871	\$ 658,634 =====

Federal programs that expended more than \$ 300,000 are determined to be a type "A" major program for this audit report. The Authority manages only the federal programs noted above and is not a low-risk audit.

The federal program noted above did not have any non-cash assistance expenditures.

INTERNAL CONTROL AND COMPLIANCE REPORTS

KENNETH M. ROBBERS
Certified Public Accountant
9655 Lattices Corner Road SE
Elizabeth, Indiana
812-969-2599

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Board of Directors
Breckinridge County Housing Authority
Hardinsburg, Kentucky 40143

I have audited the general purpose financial statements of the Breckinridge County Housing Authority (the Authority), as of and for the year ended June 30, 2002, and have issued my report thereon dated March 31, 2003. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

(Continued)

to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kenneth M. Roberts CPA

Elizabeth, Indiana
March 31, 2003

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Breckinridge County Housing Authority
Hardinsburg, Kentucky 40143

Compliance

I have audited the compliance of the Breckinridge County Housing Authority (the Authority), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program are the responsibility of the Program's management. My responsibility is to express an opinion on the Program's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Authority's compliance with those requirements.

In my opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

(Continued)

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kenneth M. Roberts CPA

Elizabeth, Indiana
March 31, 2003

KENNETH M. ROBBERS
Certified Public Accountant
9655 Lattices Corner Road SE
Elizabeth, Indiana 47117
812-969-2599

BRECKINRIDGE COUNTY HOUSING AUTHORITY
Hardinsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Reportable conditions identified
not considered to be material
weaknesses? ☐ yes ☒ none

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? ☐ yes ☒ no

Reportable conditions identified
not considered to be material
weaknesses? ☐ yes ☒ none

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are
required to be reported in
accordance with Circular A-133,
Section .510(a)? ☐ yes ☒ no

BRECKINRIDGE COUNTY HOUSING AUTHORITY
Hardinsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2002
(Continued)

Section I - Summary of Auditor's Results (continued)

Federal Awards (continued)

Identification of major programs:

<u>CODA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

14.871	Housing Choice Vouchers Program
--------	---------------------------------

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II - Financial Statement Findings

No Financial Statement Findings.

Section III - Federal Award Findings and Questioned Costs

No Federal Award Findings and Questioned Costs.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
Hardinsburg, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The audit report for the year ended June 30, 2001 contained no audit findings.

AUDITOR'S COMMENTS

The Authority's fund balance is currently a deficit of \$ 20,232. The auditor reviewed the last four fiscal years prior to the current fiscal year to determine the cause of the deficit. The deficit occurred during the 1999 and 2000 fiscal years primarily due to increases in administrative salaries and employee benefits. The Authority did not realize the fund balance was in a deficit due to a \$ 53,538 accounting error made during the 2000 fiscal year and the Authority's cash position appeared adequate, but only because the funds due HUD were not recaptured till a later date. It is imperative that the Authority monitor its administrative expenses and administrative fees earned. The Authority should monitor its administrative income and expenses monthly so that it can take appropriate actions to ensure that the Authority is operating at a profit.

